Government of
Saskatchewan

2005-2006
Annual Report

Saskatchewan
Justice

Saskatchewan Financial
Services Commission

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This annual report is also available in electronic format on the Saskatchewan Financial Services Commission's web site at **www.sfsc.gov.sk.ca**

Letters of Transmittal

Her Honour the Honourable Dr. Lynda M. Haverstock
Lieutenant Governor of Saskatchewan

May it Please Your Honour:

As the Minister responsible for the Saskatchewan Financial Services Commission, I respectfully submit the Annual Report for the year ending March 31, 2006.

Frank Quennell, Q.C.
Minister of Justice and Attorney General

The Honourable Frank Quennell, Q.C.
Minister of Justice and Attorney General

Dear Sir:

I have the honour of submitting for your consideration the Annual Report of the Saskatchewan Financial Services Commission for the year ending March 31, 2006.

Dave Wild
Chairperson

Commissioners

Dave Wild
Chairperson

Dave Wild was appointed as Chair of the Securities Commission in August 2001. He was appointed as Chair of the Financial Services Commission on February 1, 2003. He is also the Superintendent of Pensions and responsible for the administration of *The Pensions Benefits Act* in Saskatchewan. He is an active member of the Canadian Association of Pension Supervisory Authorities and the Joint Forum of Financial Market Regulators. Mr. Wild has significant experience as a pension plan administrator in the public sector in Saskatchewan. He has also worked as an asset management consultant providing investment advice to pension plans, and was involved in the establishment of the Saskatchewan Pension Plan.

Dale Hillmer
Commissioner

Mr. Hillmer was appointed to the Securities Commission in August 2001. He was appointed to the Financial Services Commission on February 1, 2003. He has extensive experience with the credit union sector in Saskatchewan, serving 12 years as the CEO of Sherwood Credit Union and 12 years as Vice-President – Finance with Credit Union Central of Saskatchewan. Mr. Hillmer has served as a trustee of the Co-operators Pension Fund, the Saskatchewan Wheat Pool Pension Plan, the Co-operative Superannuation Society and Ethical Mutual Funds. He has also served on the advisory board of Regina Economic Development Authority.

Art Wakabayashi
Vice-Chairperson

Mr. Wakabayashi was first appointed to the Securities Commission as Vice-Chair in June 1997. He was appointed to the Financial Services Commission on February 1, 2003. He held senior positions in the Government of Saskatchewan, including Deputy Minister of Finance. In the federal government, he was Assistant Deputy Minister (Policy), Solicitor General's Department, and Federal Economic Development Co-ordinator. He is a member of the Order of Canada, and Chancellor of the University of Regina. He is also the Honourary Consul-General of Japan in Regina.

William F. Ready
Commissioner

Mr. Ready was appointed to the Securities Commission in August 2001. He was appointed to the Financial Services Commission on February 1, 2003. He is a distinguished Saskatchewan lawyer with an extensive background in securities law, and served for 27 years on the board of the RoyFund mutual fund group. In 1989, the University of Regina conferred upon him the degree of Doctor of Laws (honoris causa). He was the senior partner of McDougall Ready law firm at the time of his retirement from active practice.

Frank Reidy
Commissioner

Mr. Reidy was appointed to the Financial Services Commission on February 1, 2003. He has served the insurance industry for 45 years and was made an Honourary Life Member of the Insurance Brokers' Association of Saskatchewan in 2002. He is the past Chair of the Hail Insurance Council and past Director of the Insurance Brokers' Association of Saskatchewan. Mr. Reidy is the founding and current Chairman of the Board of Directors of Western Agriculture Insurance Corporation. Mr. Reidy served as the Vice-President of the Saskatchewan School Trustees Association. As well, he served as a Director of Canada Post Corporation. Mr. Reidy currently serves as a Director of the Providence Place Foundation.

Gwen Charman
Commissioner

Ms. Charman was appointed to the Financial Services Commission on February 1, 2003. Ms. Charman is a Chartered Accountant with experience in public practice, with the department of Canadian Western Economic Diversification, and is currently the Director of Operations for the Meewasin Valley Authority in Saskatoon. She has been a long-term member of the Co-operative Securities Board, and has also served on the Boards of Wanuskewin Heritage Park, Saskatchewan Archives, Saskatoon YWCA, Big Sisters of Saskatoon, and Saskatoon Victorian Order of Nurses.

Who We Are

The Saskatchewan Financial Services Commission (SFSC) is Saskatchewan's primary regulator of the financial services industry, including the credit union system, insurance, pensions, securities, and trust and loans. Regulatory responsibilities include: providing input into developing provincial legislation, regulations, policies and standards (the rules); interpreting and applying the rules; and, taking appropriate action to protect the rights and interests of consumers of financial services when the rules are broken.

Similar to other financial services regulators, the ongoing operations of SFSC encompass a broad range of regulatory functions, including:

- **Licensing and Registration**
  Financial institutions, pension plans and financial intermediaries require approval to conduct business. SFSC requires applicants to provide enough information to allow assessment of whether the applicant is suitable to conduct business in the chosen field.

- **Audit and Compliance**
  On an ongoing basis, SFSC monitors those regulated to verify they have the capability and conduct themselves appropriately to meet their obligations to consumers. SFSC also requires those regulated to provide appropriate information to consumers.

- **Market Conduct and Complaint Handling**
  SFSC ensures there are effective processes in place to receive and investigate complaints. Complaints are reviewed and appropriate information is collected to determine whether there are violations of rules. Complaints may trigger enforcement activities.

- **Enforcement**
  SFSC exercises its influence and its legislative powers to hold to account those who have violated the rules.

SFSC's regulatory functions include both prudential and market conduct regulation. Prudential regulation addresses the financial soundness of those regulated, while market conduct regulation refers to supervising compliance related to consumer protection provisions, including disclosure, confidentiality, fair practices and prohibited methods of doing business.

In fulfilling its mandate, the SFSC relies upon the following self-regulatory organizations:

- Credit Union Deposit Guarantee Corporation
- General Insurance Council of Saskatchewan
- Hail Insurance Council of Saskatchewan
- Life Insurance Council of Saskatchewan
- Investment Dealers Association of Canada
- Mutual Fund Dealers Association of Canada

A number of federal and provincial initiatives are focused on co-ordinating and harmonizing financial services regulation. The SFSC works together with regulators from other jurisdictions through the following national organizations: the Joint Forum of Financial Market Regulators, the Canadian Association of Pension Supervisory Authorities, the Canadian Council of Insurance Regulators, and the Canadian Securities Administrators.

Vision

SFSC's vision is to cultivate an environment in which everyone in Saskatchewan has confidence in and can enjoy the benefits from the vibrant financial marketplace.

Mission

SFSC strengthens Saskatchewan's financial marketplace and protects consumers by regulating providers of financial products and services in an effective, efficient and balanced manner.

Strategic Goals

SFSC's four strategic goals are briefly described as follows.

- **A fair and effective financial regulatory system for Saskatchewan**
  Changes in the financial marketplace contribute to the need for continuous regulatory changes. By increasing harmonization with other Canadian jurisdictions, updating Saskatchewan's legislation and related rules, and working effectively with the self-regulatory organizations, SFSC will maintain and enhance the quality of its regulation.

- **Public confidence in SFSC and the Saskatchewan financial marketplace**
  The financial services industry depends on public confidence. SFSC is reviewing aspects of its compliance and enforcement programs to ensure it has the capability to discipline those who break the rules. As well, SFSC is reviewing its approach to stakeholder communications and consumer education in order to facilitate appropriate public understanding of the financial services market and the role of the SFSC.

- **Regulatory consistency between sectors and for "like" products and services**
  Traditionally, banks, trust and loan, insurance and securities had separate regulators who created unique rules for each sector. The emergence of financial conglomerates and the overlap of products and distribution channels increase the potential for regulatory inconsistencies or gaps. SFSC is building increased cross-sectoral understanding and co-operation through participation in national initiatives and through SFSC's new organizational structure and governance.

- **Maximized results with limited resources**
  As a government agency, SFSC is accountable to the public for the resources it uses. SFSC is committed to continuous improvement of its operational efficiency.

Performance Management

SFSC believes its strategic success should be measured from a variety of perspectives.

Benchmarking of the following performance measures occurred in 2005-06 which will allow us to begin year-over-year comparisons in 2006-07.

Stakeholder	Learning/Innovation
• Consumer confidence in the financial marketplace • Confidence in the SFSC from those we regulate • Complaints of regulatory violations • Solvency of pension plans • Solvency of credit union system	• Level of continuous learning and development • Staff satisfaction with work
Operational/Internal	**Financial**
• Projects completed on time and on budget • Day-to-day activities completed within service standards • Level of preparedness	• Actual expenses compared to budget • Cost comparison to other jurisdictions

Our 2005-06 Annual Report

The SFSC is organized into three divisions: Financial Institutions Division, Pensions Division and Securities Division. Most of our reporting occurs at the division level. However, certain of our activities in 2005-06 took place on a commission-wide basis. The Commission:

- assessed a strategy for educating consumers, including the feasibility of delivery of services by the SFSC.
- updated the SFSC enforcement strategy.
- examined the issue of providing restitution powers to the Commission.
- documented the policies and procedures regarding the governance of the SFSC and its accountability framework.
- developed a business continuity plan.
- continued to commit resources and other support for learning and development opportunities for staff.

In 2006-07, we will:

- undertake a number of initiatives related to consumer education, including a review of our web site.
- develop a new strategic plan.
- ensure that we have completed implementation of the Government's framework for the protection of personal information.

Financial Institutions Division

The Financial Institutions Division (FID) regulates and supervises Saskatchewan trust, loan and finance companies, insurance companies, loan and mortgage brokers and the credit union system. FID protects the public interest and enhances public confidence by encouraging sound and ethical business practices for insurers and financial institutions duly authorized to operate in Saskatchewan. FID also oversees regulatory agencies that have been delegated authority.

2005-06 Core Activities and Strategic Action Items

- Respond to consumer inquiries and complaints.
- Protect consumers by licensing, auditing and examining regulated financial services businesses.
- Oversee, monitor and support the operation of existing industry regulatory bodies.
- Continue to participate with businesses, other provincial and federal regulators and self-regulatory organizations in legislative harmonization initiatives.
- Continue to develop and consult on mortgage broker legislation and regulations for government's consideration for implementation in 2006.
- Continue to work with the credit union system on the development of a code of market practices and an agreement to delegate responsibility for the enforcement of the code to the Credit Union Deposit Guarantee Corporation.
- Continue to participate in the Canadian Council of Insurance Regulators and the Joint Forum of Financial Market Regulators, particularly regarding enhancing consumer dispute resolution and developing a new approach to point-of-sale disclosure documents for mutual funds and individual variable insurance contracts.
- Assess compliance review programs for insurance and trust and loan companies and modify and implement changes to these programs.
- Review process of hearing appeals of decisions of the General, Life and Hail Insurance Councils.
- Implement amendments to *The Real Estate Act.*
- Develop and implement recommendations for amendments to *The Real Estate Regulations* with respect to errors and omissions liability insurance.

- Continue to monitor the progress of litigation and the activities of provincial ministerial initiatives regarding the alternative consumer credit market.

- Execute a memorandum of understanding on the sharing of electronic filings from insurers.

- Examine the regulation of self-funded employee benefit plans.

- An initiative to develop and consult on amendments to *The Saskatchewan Insurance Act* on provisions related to capital requirements and solvency testing, and compensation plans, has been deferred for future consideration.

2005-06 Activities and Results

- Informed consumers and financial services businesses regarding marketplace rights and responsibilities by responding to 2,100 inquiries.

- Assisted consumers in resolving disputes with financial services businesses by responding to 172 complaints.

- Protected consumers by licensing, auditing and examining regulated financial services businesses:

  - issued 59 new licenses with respect to three Acts for a total of 487 licenses in force; and

  - conducted 23 audits, inspections, or reviews with respect to three Acts.

- Reviewed and approved bylaws and heard appeals from the Saskatchewan Insurance Councils and the Saskatchewan Real Estate Commission.

- Participated with businesses, other provincial and federal regulators and self-regulatory organizations in legislative harmonization initiatives.

- Consulted with industry regarding mortgage broker legislation.

- Worked with Credit Union Central of Saskatchewan (SaskCentral) and Credit Union Deposit Guarantee Corporation with respect to regulation issues, legislation, sound business practices and a voluntary market practices code.

- Continued participation in the Canadian Council of Insurance Regulators and the Joint Forum of Financial Market Regulators, particularly regarding relationships between insurers and sales intermediaries and point of sale disclosure documents for mutual funds and individual variable insurance contracts.

- Completed an assessment of compliance review programs for insurance and trust and loan companies.

- Implemented amendments to *The Real Estate Act*, including amendments with respect to the composition of the Real Estate Commission and its borrowing and investment powers.

- Developed recommendations for, and implemented amendments to, *The Real Estate Regulations* with respect to errors and omissions liability insurance.

- Monitored the progress of litigation and the activities of provincial ministerial initiatives regarding the alternative consumer credit market.

- Executed a memorandum of understanding with the Office of the Superintendent of Financial Institutions (OSFI) on the sharing of electronic filings from insurers.

- Commenced a review of options for the regulation of self-funded employee benefit plans.

- Conducted ongoing meetings with the hail insurance industry on adjuster licensing, complaint handling processes, and mandatory standards used for hail claims settlements.

2006-07 Goals and Objectives and Strategic Action Items

- Respond to consumer inquiries and complaints.

- Protect consumers by licensing, auditing and examining regulated financial services businesses.

- Oversee, monitor and support the operation of existing industry regulatory bodies.

- Continue to participate with businesses, other provincial and federal regulators and self-regulatory organizations in legislative harmonization initiatives.

- Continue to develop and consult on mortgage broker legislation and regulations for government's consideration.

- Continue to participate in the Canadian Council of Insurance Regulators and the Joint Forum of Financial Market Regulators, particularly regarding enhancing consumer dispute resolution and developing a new approach to point-of-sale disclosure documents for mutual funds and individual variable insurance contracts.

- Continue to monitor the progress of litigation and the activities of provincial ministerial initiatives regarding the alternative consumer credit market.

- Continue to examine options for the regulation of self-funded employee benefit plans.

- Continue holding ongoing meetings with the hail insurance industry regarding complaint handling processes and appointment of umpires.

- Review the Order of the Superintendent of Insurance which delegates certain functions to the General, Life and Hail Insurance Councils.

- Two initiatives, to develop and make recommendations for amending *The Saskatchewan Insurance Act* with respect to market conduct provisions and investment rules and assess the current approach to regulating persons selling insurance products incidental to their major lines of business, have been deferred for future consideration.

Pensions Division

The legislation administered by the Pensions Division protects employees' pensions. Standards are established with respect to the structure and administration of pension plans, as well as to the investment and ongoing funding of plans.

The Pension Benefits Act, 1992 regulates employer-sponsored pension plans with Saskatchewan workers as members. The Act does not apply to certain plans established for employees of the Governments of Saskatchewan and Canada, nor does it apply to plans associated with undertakings regulated by the federal government (e.g., plans for employees of companies involved in banking, transportation, broadcasting, grain handling).

The Pensions Division identifies and manages risks and problems to bolster public confidence in the pension system while allowing the market to develop to meet the retirement needs of Saskatchewan workers and employers.

2005-06 Core Activities and Strategic Action Items

- Protect pension plan members from undue loss by ensuring: plans are funded in accordance with legislation, plan benefits comply with the legislated minimum standards, and plans are administered in compliance with the legislation and plan documents.

- Review 50 - 70 actuarial valuation reports, 375 annual information returns, 25 new plans, 20 plan terminations and 300 - 400 plan amendments.

- Conduct one on-site Administrative Pension Examination. Collect data on the governance practices of 25 - 30 plans.

- Ensure pension plans are amended to reflect changes to *The Pension Benefits Act, 1992* and *The Pension Benefits Regulations, 1993*. Revise bulletins with respect to the legislative amendments.

- Implement recommendations made by the Provincial Auditor Saskatchewan in its Memorandum of Audit Observations of the operations of the Superintendent of Pensions.

- Continue to participate in the Canadian Association of Pension Supervisory Authorities (CAPSA) and Joint Forum initiatives. The agenda includes ongoing harmonization initiatives in the following areas:

  - work with stakeholder task forces on further development of the non-contentious model pension law principles;

  - consult on funding principles for a model pension law;

  - implement the *Guidelines for Capital Accumulation Plans;* and

  - develop a Frequently Asked Questions document to assist administrators in implementing the *Pension Plan Governance Guidelines and Self-Assessment Questionnaire.*

2005-06 Activities and Results

- Reviewed 54 actuarial valuation reports. An actuarial valuation measures the financial position of a defined benefit plan and recommends prospective contribution rates. Defined benefit plan assets of $8.5 billion exceeded their liabilities of $8.3 billion, meaning the system as a whole had a surplus of about $200 million. One hundred and seven of 160 defined benefit plans had an unfunded liability. Total unfunded liabilities of plans have grown from $277 million to $295 million, while total surplus assets of plans have declined from $584 million to $476 million. The decline in the funding position of defined benefit plans is a result of investment losses experienced in 2001 and 2002 and the decline in long-term bond rates used to calculate plan liabilities. Ten plans accounted for 86 per cent of the $295 million in unfunded liabilities. The Division monitored those plans closely.

- Conducted one on-site Administrative Pension Examination (APE). The APE program focuses on six key areas: membership, disclosure, contributions, asset administration, benefit calculations and plan management.

- CAPSA released a Frequently Asked Questions document to assist administrators in implementing the *Pension Plan Governance Guidelines and Self-Assessment Questionnaire*.

- CAPSA released a consultation paper entitled Proposed Regulatory Principles for a Model Pension Law in January 2004. Stakeholder task forces were established to develop detailed policy statements on the non-contentious model law principles that will support the development of a harmonized statute and regulations.

- CAPSA released a consultation paper on proposed principles for the funding of defined benefit pension plans in June 2005.

- CAPSA invited comments on a consultation paper entitled *Issues Related to the Application of the 10 Per Cent Concentration Rule* concerning the investment rules for registered pension plans and made recommendations to the federal government for amendments to the pension plan investment regulations.

- Advised administrators of defined contribution plans of the establishment of *Guidelines for Capital Accumulation Plans* (CAPS) by the Joint Forum of Financial Market Regulators. The guidelines are intended to ensure that members of capital accumulation plans are provided with the information and assistance they require in order to make informed investment decisions when investing assets they are accumulating for retirement and other purposes. Administrators were asked to ensure that their CAPS comply with these Guidelines by December 31, 2005.

- Reviewed *The Pension Benefits Regulations, 1993* to determine what changes were required to accompany *The Pension Benefits Amendment Act, 2004. The Pension Benefits Amendment Regulations, 2005* were passed in March 2005.

- *The Pension Benefits Amendment Act, 2004* was proclaimed into law in 2005-06. About 150 plans were amended in 2005-06 to comply with these new provisions. Policy bulletins and web site material were revised to reflect the legislative changes.

- Reviewed *The Pension Benefits Regulations, 1993* to determine what changes were required to permit defined contribution plans to pay a variable benefit to plan members upon retirement. Drafted amendments in consultation with administrators of several plans.

- The Provincial Auditor Saskatchewan (PAS) conducted a performance audit of the operations of the Superintendent of Pensions (Superintendent) in 2004-05. The PAS tabled its Report of the Superintendent's operations in May 2005, which concluded that the Superintendent had adequate processes to supervise plans, but made several recommendations. In response to these recommendations, the Pensions Division has:

  - collected *Pension Plan Governance Guidelines and Self-Assessment Questionnaire* from a randomly selected group of pension plans to assist in assessing governance risk of those plans;

  - prepared an operational work plan which is used in conjunction with the Strategic Plan of the Saskatchewan Financial Services Commission to supervise pension plans;

- established a Registration/Amendment Compliance Checklist along with detailed instructions which is used to review new plans and amendments to existing plans for registration under *The Pension Benefits Act, 1992;* and

- identified for Legislative Services Branch of Saskatchewan Justice the need to examine investigative and enforcement powers of the Superintendent of Pensions.

2006-07 Core Activities and Strategic Action Items

- Protect pension plan members from undue loss by ensuring: plans are funded in accordance with legislation, plan benefits comply with the legislated minimum standards, and plans are administered in compliance with the legislation and plan documents.

- Review 50 - 60 actuarial valuation reports, 385 annual information returns, 25 new plans, 20 plan terminations and 150 - 200 plan amendments.

- Conduct one on-site Administrative Pension Examination.

- Assess the governance practices of 25 - 30 selected plans.

- Ensure all pension plans are amended to reflect changes to *The Pension Benefits Act, 1992* and *The Pension Benefits Regulations, 1993.*

- Continue to participate in CAPSA and Joint Forum initiatives. The agenda includes ongoing harmonization initiatives in the following areas:

  - work with stakeholder task forces on further development of the non-contentious model pension law principles;

  - develop model regulations in support of the non-contentious model pension law principles; and

  - identify a process for resolving contentious model pension law issues.

Fiscal Year	New Plans Registered	Plan Terminations Reviewed	Annual Information Returns Reviewed	Plan Amendments Registered
2001-02	17	19	362	281
2002-03	11	18	399	226
2003-04	22	19	366	151
2004-05	22	14	379	123
2005-06	35	22	366	250

Securities Division

The Securities Division protects investors by regulating the sale of securities, without undue restriction, to ensure that:

- those who sell securities to investors are honest and competent;
- investors are provided with selling documents that contain truthful, complete and understandable information on which to base their investment decisions;
- buyers and sellers have equal access to information about companies whose shares trade in secondary markets; and
- those who take undue advantage of investors are held to account.

2005-06 Core Activities and Strategic Action Items

- Continue to carry out core functions in: registration, prospectus and offering memorandum review, continuous disclosure review, discretionary exemption applications and enforcement.
- Continue to meet established turnaround times in registration, exemption applications and prospectus review.
- Continue to carry out compliance review program for Saskatchewan-based non-SRO registrants.
- Continue to carry out review program for continuous disclosure material filed by Saskatchewan-based public companies.
- Continue to contribute to the development of national securities laws by participating on committees of the Canadian Securities Administrators.
- Finalize and implement Local Instrument 32-501 *Deposit Agents*.
- Delegate registration of IDA firms and individuals to the Investment Dealers Association of Canada.
- Recognize and oversee the Mutual Fund Dealers Association Investor Protection Corporation.
- Continue to participate on Taskforce for Passport System of Securities Regulation.
- Implement National Instrument 45-106 *Prospectus and Registration Exemptions*.
- Develop recommendations on whether *The Securities Act, 1988* should be amended to include Commission powers to order restitution and disgorgement.
- Seek amendments to *The Securities Act, 1988* to include powers necessary to implement the Passport System including the power to adopt decisions of other regulators and to delegate functions to other regulators.
- Assist in adopting a *Uniform Securities Transfer Act*.

2005-06 Activities and Results

Core Activities

- Continued to carry out core functions in: registration, prospectus and offering memorandum review, continuous disclosure review, discretionary exemption applications and enforcement.
- Processed applications for registration within established turnaround times.
- Met turnaround times for 98% of exemption applications that were filed under the Mutual Reliance Review System (MRRS) for Exemption Applications and 100% of exemption applications made only in Saskatchewan.
- Processed all national prospectus filings within turnaround times established under the MRRS for Prospectus Review. Responded to all local prospectuses within turnaround times established for local filings.
- Carried out compliance review of six Saskatchewan-based advisers.
- Carried out review of continuous disclosure material filed by four Saskatchewan-based public companies.

	2005-06	2004-05	2003-04	2002-03
Registration of companies:				
New applications	n/a	23	37	48
Terminations	n/a	12	19	20
Registered at year end	300	303	295	277
Registration of individuals:				
New applications	n/a	1,644	2,577	3,237
Terminations	n/a	1,462	1,635	3,003
Registered at year end	8,750	8,640	8,414	7,011
Review and issue receipts for selling documents of Saskatchewan issuers	9	7	10	8
****Review offering memorandum filed by Saskatchewan issuers under NI 45-106 *Prospectus and Registration Exemption***	11			
Issue receipts for selling documents of non-Saskatchewan issuers	818	737	715	537
Receive continuous disclosure documents for issuers:				
Annual financial statements	4,132	4,425	4,061	3,688
Interim financial statements	6,990	6,697	6,219	5,793
Proxy/information circulars	3,431	3,068	2,395	41*
Material change reports	4,007	4,489	4,353	24*
Annual information forms	1,259	1,561	1,046	827
**Management Discussion and Analysis				
Annual	1,441	1,684	1,103	
Interim	4,150	3,480	0	
**Certification of annual filings	1,400	803	0	
**Certification of interim filings	3,898	3,277	0	
**Annual Management Report of Fund Performance	1,107			
**Interim Management Report of Fund Performance	320			
Deal with applications for exemption:				
Applications granted	612	607	578	613
Applications withdrawn	90	91	121	150
Applications denied	0	0	0	0
Investigate complaints and take enforcement action:				
Files opened	118	38	132	174
Files closed	149	85	130	243
Obtained agreements and undertaking	2	4	2	0
Conducted examinations under oath	21	27	24	12
Held hearings	2	1	0	1
Issued investigation orders	7	14	10	9
Issued temporary cease trade orders	3	5	7	8
Issued extending/permanent cease trade orders	4	5	7	8
Issued orders removing exemptions	0	5	7	8

* for Saskatchewan-based issuers only ** new requirement

Local Policy and Legislation

- Studied delegation of registration of IDA firms and individuals to the Investment Dealers Association of Canada.
- Approved the Mutual Fund Dealers Association Investor Protection Corporation by order dated May 12, 2005.
- Adopted the following General Rulings/Orders to avoid repeated applications for the same exemptive relief:
  - GRO 51-909 *Waiver of Continuous Disclosure Requirements for Issuers that Have Made Offerings under the Qualified Investor Exemption;*
  - GRO 21-901 *Market Facilitation Activities by Issuers in their Own Securities;*
  - GRO 45-913 *Exemptions for Capital Reinvestment Plans;* and
  - GRO 33-712 *Surety Bond Not Required for Dealers That Participate in the MFDA Investor Protection Corporation.*
- Local Instrument 32-501 *Deposit Agents* came into force on January 1, 2006. Implementation is suspended until October 1, 2006 to resolve insurance issues.
- Amended *The Securities Regulations* to:
  - update the fee schedule; and
  - repeal provisions made redundant by the adoption of national instruments.
- Finalized and adopted a new enforcement strategy.
- Finalized and adopted a consumer education strategy for the Commission.
- Prepared a report to the Commission that recommended that *The Securities Act, 1988* should be amended to include power for the Commission to order restitution, but not disgorgement.
- *The Securities Amendment Act, 2005* was given first reading on November 16, 2005, amending *The Securities Act, 1988* to include powers necessary to implement the Passport System including the power:
  - to adopt decisions of other regulators; and
  - to delegate functions to other regulators.
- Appeared before the Legislative Instruments Committee to address *The Uniform Securities Transfer Act.*

National Securities Laws and Policies

- Participated on the Taskforce for Passport System of Securities Regulation established to:
  - implement a system with single window of access for market participants seeking decisions from securities regulators;
  - develop highly harmonized and streamlined securities legislation; and
  - review fees.
- Contributed to the co-ordination of securities regulation in Canada by participating on the following Standing Committees of the Canadian Securities Administrators (CSA):
  - Corporate Finance
  - MRRS for Prospectuses
  - Continuous Disclosure Review
  - Mutual Funds
  - MRRS for Exemptions
  - Registration Regulation
  - North American Securities Administrators Association Canadian Zone Registration Examinations and Compliance
  - Executive Directors
  - Self-Regulatory Organizations Oversight
  - Legislation Review and Co-ordination
  - Enforcement

- Contributed to the development of harmonized Canadian securities laws by participating in the following projects of the CSA:
  - Harmonization of Continuous Disclosure Requirements
  - Prospectus Systems
  - Future Oriented Financial Information
  - Income Trusts and Other Indirect Offerings
  - Cease Trade Orders
  - Take-over Bids
  - Capital Accumulation Plan Exemption Rule
  - Registration and Prospectus Exemption Rule
  - Passport Steering Committee
  - Registration Reform
  - Referrals
  - National Registration System
- Streamlined and harmonized national securities laws by adopting the following instruments:
  - Multilateral Instrument 11-101 *Principal Regulator System* that implements a system that gives a market participant access to the capital markets in several jurisdictions by dealing with the regulator and the law of its principal jurisdiction.
  - National Instrument 45-106 *Prospectus and Registration Exemptions* that sets out uniform exemptions from the prospectus and registration requirements in the Act.
  - National Policy 58-201 *Corporate Governance Guidelines* that provides guidance to issuers on corporate governance practices.
  - National Instrument 58-101 *Disclosure of Corporate Governance Practices* that requires issuers to disclose the corporate governance practices that they have adopted.
  - National Instrument 81-106 *Investment Fund Continuous Disclosure* that sets out continuous disclosure obligations of investment funds.
  - Amended National Instrument 44-101 *Short Form Prospectuses* to permit more reporting issuers to use the short form prospectus system by eliminating certain qualification requirements.

2006-07 Core Activities and Strategic Action Items

Core Activities

- Continue to carry out core functions in: registration, prospectus and offering memorandum review, continuous disclosure review, discretionary exemption applications and enforcement.
- Continue to meet established turnaround times in registration, exemption applications and prospectus review.
- Carry out compliance review of five Saskatchewan-based non-SRO registrants.
- Review continuous disclosure material filed by eight Saskatchewan-based public companies.
- Continue to oversee the Investment Dealers Association and Mutual Fund Dealers Association.

Local Policy and Legislation

- Develop amendments to *The Securities Act, 1988* to harmonize national securities laws and enhance the Commission's enforcement powers.
- Develop amendments to *The Securities Regulations* to reflect amendments to *The Securities Act, 1988* and adoption of national securities laws.
- Amend and repeal local policies, instruments, notices and general exemption orders to reflect the adoption of harmonized national securities laws.
- Implement Local Instrument 32-501 *Deposit Agents.*
- Finalize delegation of registration of IDA firms and individuals to the Investment Dealers Association of Canada.

National Securities Laws and Policies

- Continue to participate on the Passport Steering Committee.
- Continue to contribute to the development of national securities laws by participating in projects of the Canadian Securities Administrators, including:
  - develop National Instrument 31-103 *Registration Requirements* to harmonize all local and national requirements relating to registration;
  - develop National Instrument 41-101 *Prospectus Requirements* to harmonize all local and national requirements related to prospectuses;
  - develop National Instrument 55-101 *Insider Trading* to harmonize insider reporting requirements and exemptions;
  - develop National Instrument 62-104 *Take-over and Issuer Bids* to harmonize requirements relating to take-over and issuer bids;
  - develop a national instrument to regulate principal protected notes;
  - reformulate National Policy 48 *Future-Oriented Financial Information* into a national instrument;
  - amend National Policy 41-201 *Income Trusts and Other Indirect Offerings* to address several issues including distributable cash and return of capital;
  - amend National Instrument 45-106 *Prospectus and Registration Exemptions* to address local carve outs and incorporate existing local exemptions; and
  - amend National Instrument 51-102 *Continuous Disclosure Requirements* to make corrections and address applications and inquiries.
- Continue to participate on CSA Standing Committees that co-ordinate securities regulation in Canada.

Legislation

General

The Saskatchewan Financial Services Commission Act

The Saskatchewan Financial Services Commission Assignment Regulations

Financial Institutions Division

The Cost of Credit Disclosure Act

The Credit Union Act, 1998

The Credit Union Regulations, 1999

The Credit Union Insurance Business Regulations

The Credit Union Act, 1985

The Credit Union Regulations

The Guarantee Companies Securities Act

The Mortgage Brokers Act

The Mortgage Brokers Regulations

The Saskatchewan Insurance Act

The Saskatchewan Insurance Regulations, 2003

The Saskatchewan Insurance Councils Regulations

The Saskatchewan Insurance Compensation Plan Regulations, 1990

The Trust and Loan Corporations Act, 1997

The Trust and Loan Corporations Regulations, 1999

Pensions Division

The Pension Benefits Act, 1992

The Pension Benefits Regulations, 1993

The Pension Benefits Amendment Regulations, 2002

Securities Division

The Securities Act, 1988

The Securities Regulations

The Securities Commission (Adoption of National Instruments) Regulations

The Securities Commission (Disclosure of Personal Information) Regulations

The Securities Commission (Local Instrument) Regulations

The Securities Commission (Regulation Procedures) Regulations

Where to Obtain Additional Information

This report provides information about both our accomplishments and our future plans. If you have any questions or comments, or would like additional copies of the report, we invite you to call (306) 787-5645.

Or contact:

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www.sfsc.gov.sk.ca